



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MCCRACKEN COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE**  
**MCCRACKEN COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the McCracken County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition:**

The total cash balance, as of July 1, 1999 was \$2,474,495. The total cash balance, as of June 30, 2000 was \$2,022,750.

**Debt Obligations:**

Total bonded debt principal as of June 30, 2000, was \$6,860,000. Future collections of \$12,189,793 are needed to pay all bonded debt principal and interest.

Capital lease principal agreements principal totaled \$82,000 as of June 30, 2000. Future payments of \$87,779 are needed to meet these obligations.

**Report Comments:**

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following reportable conditions or instances of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$820,561 And Enter Into Written Agreements To Protect Deposits
- Purchase Orders Should Be Issued For Expenditures
- The Quarterly Financial Statement Should Be Recorded In The Fiscal Court Minutes
- The County's Budget Should Include All Funds Received And Expended By The County
- Jail Receipts Should Be Deposited On A Regular Basis
- The County Should Improve Internal Control And Maintain Accurate Financial Records



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Danny B. Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of McCracken County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the McCracken County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

McCracken County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of McCracken County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Danny B. Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2001 on our consideration of McCracken County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following areas of reportable conditions and reportable instances of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$820,561 And Enter Into Written Agreements To Protect Deposits
- Purchase Orders Should Be Issued For Expenditures
- The Quarterly Financial Statement Should Be Recorded In The Fiscal Court Minutes
- The County's Budget Should Include All Funds Received And Expended By The County
- Jail Receipts Should Be Deposited On A Regular Basis
- The County Should Improve Internal Control And Maintain Accurate Financial Records

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of McCracken County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 31, 2001



MCCRACKEN COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

Danny B. Orazine	County Judge/Executive
Zana Renfro	Commissioner
Bob Grimm	Commissioner
Ronnie Freeman	Commissioner

**Other Elected Officials:**

Dan Boaz	County Attorney
Cliff Gill	Jailer
Randy Otey	County Clerk
Mike Lawrence	Circuit Court Clerk
Frank Augustus	Sheriff
Nancy Bock	Property Valuation Administrator
Dan Sims	Coroner

**Appointed Personnel:**

Debbie Hanna	County Treasurer
Owen Lynn	Occupational Tax Collector
Angie Brown	Finance Officer
Van Newberry	Road Supervisor
Vadis Turnbow	Jail Administrative Assistant

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MCCRACKEN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	1,316,302
Building and Electrician Department Fund:		
Cash		13,171
Carson Park Fund:		
Cash		1,727
Insurance Fund:		
Cash		24,412
McCracken County Planning Fund:		
Cash		10,460
Payroll Tax Administrator Fund:		
Cash		<u>32,893</u>
	\$	1,398,965

Special Revenue Fund Type

Friend Of The Court Fund:		
Cash		42,582

Debt Service Fund Type

Capitol Projects Fund/Courthouse Facilities		
Cash		581,203

Agency Fund Type

Car Rental Tax Fund:		
Cash	\$	22,539
Transit Room Tax Fund:		
Cash		<u>6,369</u>
		28,908

The accompanying notes are an integral part of the financial statements.

MCCRACKEN COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Assets and Other Resources (Continued)

Other Resources

General Fund Type

General Fund:

Amounts To Be Provided In Future Years For Voting Machines (Note 5)	\$ 82,000	
Amounts To Be Provided In Future Years For Landfill Post Closure Costs (Note 11)	<u>4,123,000</u>	\$ 4,205,000

Debt Service Fund Type

Capitol Project Fund/Courthouse Facilities:

Bond Principal - 1995 Courthouse Annex Amounts to be Provided in Future Years for Bond Payments (Note 4)	<u>6,278,797</u>
---	------------------

Total Assets and Other Resources	<u><u>\$ 12,535,455</u></u>
----------------------------------	-----------------------------

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Voting Machines - Lease Principal (Note 5)	\$ 82,000	
Landfill Post Closure Costs (Note 11)	<u>4,123,000</u>	\$ 4,205,000

Debt Service Fund Type

Capitol Projects Fund/Courthouse Facilities:

Bond Principal - 1995 Courthouse Annex (Note 4)	6,860,000
---	-----------

Agency Fund Type

Car Rental Tax Fund:

Paducah Airport Corporation (Note 1 B)	\$ 22,539	
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Transit Room Tax Fund:

Paducah-McCracken County Convention Center and Visitors Bureau Note 1 B)	<u>6,369</u>	28,908
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The accompanying notes are an integral part of the financial statements.

MCCRACKEN COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Insurance Fund	\$	24,412
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Special Revenue Fund Type

Friend Of The Court Fund:		42,582
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Unreserved:

General Fund Type

General Fund	\$	1,316,302	
Building and Electrician Department Fund		13,171	
Carson Park Fund		1,727	
McCracken County Planning Fund		10,460	
Payroll Tax Administrator Fund		32,893	1,374,553
			<hr/>
Total Liabilities and Fund Balances			<u>\$ 12,535,455</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MCCRACKEN COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

		General Fund Type		
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 14,003,035	\$ 5,174,555	\$ 1,397,574	\$ 1,555,092
Transfers In	10,714,215	4,937,089	1,128,547	1,690,670
Friend Of The Court-				
Service Fees	98,517			
Title IV-D Contract Reimbursements	249,324			
Child Support Collections	4,965,193			
Miscellaneous	24,081			
Borrowed Money	371,000			
Total Cash Receipts	\$ 30,425,365	\$ 10,111,644	\$ 2,526,121	\$ 3,245,762
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 14,300,007	\$ 4,642,013	\$ 2,515,510	\$ 3,245,762
Schedule Of Expenditures - Friend Of The Court	5,225,256			
Transfers Out	10,714,215	5,644,136	10,611	
Refunds and Bank Service Fees	75,846			
Planning Commission (Seminars-Meals)	2,786			
Kentucky Association of Counties				
Leasing Trust Program - Voting Machines	38,000	38,000		
Bond Principal Paid	150,000			
Borrowed Money Repaid	371,000			
Total Cash Disbursements	\$ 30,877,110	\$ 10,324,149	\$ 2,526,121	\$ 3,245,762
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (451,745)	\$ (212,505)	\$ 0	\$ 0
Cash Balance - July 1, 1999	2,474,495	1,528,806	0	0
Cash Balance - June 30, 2000	\$ 2,022,750	\$ 1,316,301	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.



MCCRACKEN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

General Fund Type						
Local Government Economic Assistance Fund	Building and Electrical Inspection Department Fund	Carson Park Fund	Foster Parent Fund	Insurance Fund	McCracken County Planning Commission Fund	Payroll Tax Administrator Fund
\$ 7,477	\$ 137,061	\$ 31,974	\$	\$ 958,892	\$ 7,812	\$ 3,925,929
<u>\$ 7,477</u>	<u>\$ 137,061</u>	<u>\$ 31,974</u>	<u>\$ 0</u>	<u>\$ 958,892</u>	<u>\$ 7,812</u>	<u>\$ 3,925,929</u>
\$ 79,029	\$	\$	\$	\$ 958,892	\$	\$
	138,348	42,129	280			3,838,020
	983	196				74,667
					2,786	
<u>\$ 79,029</u>	<u>\$ 139,331</u>	<u>\$ 42,325</u>	<u>\$ 280</u>	<u>\$ 958,892</u>	<u>\$ 2,786</u>	<u>\$ 3,912,687</u>
\$ (71,552)	\$ (2,270)	\$ (10,351)	\$ (280)	\$ 0	\$ 5,026	\$ 13,242
71,552	15,441	12,078	280	24,412	5,434	19,651
<u>\$ 0</u>	<u>\$ 13,171</u>	<u>\$ 1,727</u>	<u>\$ 0</u>	<u>\$ 24,412</u>	<u>\$ 10,460</u>	<u>\$ 32,893</u>

The accompanying notes are an integral part of the financial statements.

MCCRACKEN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

	<u>General Fund Type</u>		<u>Special Revenue Fund Type</u>	
	Sheriff Fund	Special Reserve Fund	Federal Grant Fund	Friend Of The Court Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 912,604	\$ 1,959	\$ 326,196	\$
Transfers In	991,482	5,579	135,901	
Friend Of The Court-				
Service Fees				98,517
Title IV-D Contract Reimbursements				249,324
Child Support Collections				4,965,193
Miscellaneous				24,081
Borrowed Money				
Total Cash Receipts	<u>\$ 1,904,086</u>	<u>\$ 7,538</u>	<u>\$ 462,097</u>	<u>\$ 5,337,115</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,904,086	\$	\$ 198,725	\$
Schedule Of Expenditures - Friend Of The Court				5,225,256
Transfers Out		179,668	263,372	91,212
Refunds and Bank Service Fees				
Planning Commission (Seminars-Meals)				
Kentucky Association of Counties				
Leasing Trust Program - Voting Machines				
Bond Principal Paid				
Borrowed Money Repaid				
Total Cash Disbursements	<u>\$ 1,904,086</u>	<u>\$ 179,668</u>	<u>\$ 462,097</u>	<u>\$ 5,316,468</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (172,130)	\$ 0	\$ 20,647
Cash Balance - July 1, 1999	<u>0</u>	<u>172,130</u>	<u>0</u>	<u>21,935</u>
Cash Balance - June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,582</u>

The accompanying notes are an integral part of the financial statements.

MCCRACKEN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

<u>Special Revenue Fund Type</u>		<u>Debt Service Fund Type</u>		
Juvenile Justice Fund	State Grant Fund	Capitol Project Fund/ Courthouse Facilities		Debt Service Fund
		Construction Account	Sinking Account	
\$ 70,058	\$ 57,881	\$	\$ 396,863	\$
201,515	128,900		147,074	388,566
				371,000
<u>\$ 271,573</u>	<u>\$ 186,781</u>	<u>\$ 0</u>	<u>\$ 543,937</u>	<u>\$ 759,566</u>
\$ 271,573	\$ 57,881	\$	\$ 408,970	\$ 17,566
	128,900	4,089	2,450	371,000
			150,000	371,000
<u>\$ 271,573</u>	<u>\$ 186,781</u>	<u>\$ 4,089</u>	<u>\$ 561,420</u>	<u>\$ 759,566</u>
\$ 0	\$ 0	\$ (4,089)	\$ (17,483)	\$ 0
0	0	4,089	598,687	0
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 581,204</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of McCracken County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the McCracken County Friend of the Court Fund as part of the reporting entity.

The Friend of the Court office was established by the County to maintain records of child support payments and to assist in the enforcement of child support orders. The contracting official is appointed by the Circuit Judge of McCracken County. The fiscal court provides funding to this office. This financial accountability requires management to include this office as a component unit.

Additional - McCracken County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting McCracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. McCracken County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed on the next page.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The McCracken County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Building and Electrical Inspection Department Fund, Carson Park Fund, Foster Parent Fund, McCracken County Planning Commission Fund, Payroll Tax Administrator Fund, Sheriff Fund, Special Reserve Fund, and Insurance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purposes. The Friend of the Court Fund, Federal Grant Fund, Juvenile Justice Fund, and State Grant Fund are reported as Special Revenue Fund Types. The Friend of the Court processes child support payments, and fees are charged for payments collected, which are used to pay the expenses of that office. The Friend of the Court reimbursed payroll expenses of \$91,212 to the fiscal court.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include the Capital Projects Fund/Courthouse Facilities and Debt Service Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Fiduciary Fund Type

Agency funds are clearing accounts used to account for assets held for other funds, governments, or individuals. Agency funds are custodial in nature; assets collected equal liabilities due.

The county collects car rental tax that is paid to the Paducah Airport Corporation. The book balance at July 1, 1999 was \$2,568, receipts \$89,018, disbursements \$69,047, with an ending balance of \$22,539 as of June 30, 2000. The county also collects transit room tax that is paid to the Paducah-McCracken County Convention Center and Visitors Bureau. The book balance at July 1, 1999 was \$6,330, receipts \$798,326, disbursements \$798,287, with an ending balance of \$6,369 as of June 30, 2000.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The McCracken County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the receipts and expenditures of the McCracken County Friend of The Court. The McCracken County Friend of the Court is not required to prepare and submit a formal budget for all functions of his office to any governmental agency.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of McCracken County Fiscal Court:

Concord Fire Protection District	Hendron Fire District
Hendron Water District	Lone Oak Fire District
McCracken County Extension District	McCracken County Public Library
Reidland-Farley Fire District	West McCracken Fire District
West McCracken Water/Sewer District	
Paducah Transit Authority	

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

Paducah – McCracken County 911  
 Paducah – McCracken County Joint Sewer Agency Board  
 Paducah – McCracken County Riverport  
 Paducah – McCracken County Senior Citizens  
 Paducah – McCracken County Convention Center  
 Paducah – McCracken County Visitors Bureau  
 Paducah – McCracken County Child Watch, Inc.  
 Paducah – McCracken County Industrial Development Authority  
 Paducah – McCracken Disaster and Emergency Services  
 Paducah – McCracken Telecommunications/Information

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond. However, as of August 31, 1999, the county deposits were uninsured by \$820,561.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county official as of August 31, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 2,027,780
Uncollateralized and uninsured	<u>820,561</u>
Total	<u><u>\$ 2,848,341</u></u>

Note 4. Bonds Payable

On September 27, 1995, the County sold Public Project Revenue Bonds (Court Facilities Project), Series 1995 (the Bonds) through the McCracken County, Kentucky Public Properties Corporation. The Bonds originally totaled \$7,290,000 and the proceeds were used to construct an approximately 43,000 square foot addition to the McCracken County Courthouse, to partially renovate the existing 41,000 square foot courthouse, to fund a Debt Service Reserve Fund, and to pay for the cost of issuance of the Bonds. The Bonds, which are dated September 1, 1995, have interest rates of 5.875% to 6.15% and mature beginning in September 1997 through September 2026.



MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 4. Bonds Payable (Continued)

The McCracken County Public Properties Corporation has been dissolved and the fiscal court is making the payments to the bond trustee.

The Kentucky Administrative Office of the Courts has agreed to pay \$266,206 annually to the paying agent on behalf of the county as required by a Use and Sublease Agreement between the county and the A.O.C. dated October 18, 1995. The Administrative Office of the Courts paid an additional payment during fiscal year ended June 30, 2000.

If the payment from the Sublease Agreement is not sufficient to meet the principal and interest requirements of the bonds, the county is contingently liable for the Administrative Office of the Court's payments.

Bonds outstanding as of June 30, 2000 are \$6,860,000.

<u>Fiscal Year Ended</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 399,864	\$ 160,000
June 30, 2002	390,170	170,000
June 30, 2003	379,889	180,000
June 30, 2004	368,873	195,000
June 30, 2005	357,098	205,000
Thereafter	<u>4,015,102</u>	<u>5,950,000</u>
Totals	<u>\$ 5,910,996</u>	<u>\$ 6,860,000</u>

Note 5. Capital Lease

On April 15, 1992, the McCracken County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program. The lease principal amount was for \$335,000. For fiscal year ending June 30, 2000, the interest rate is 5.45%. The purpose of the lease is to provide funds for the purchase of voting machines. The termination date of the lease is Feb 1, 2002.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 4,203	\$ 40,000
June 30, 2002	<u>1,576</u>	<u>42,000</u>
Totals	<u>\$ 5,779</u>	<u>\$ 82,000</u>

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 6. Operating Leases

Description	Purchase Date	Maturity Date	Interest Rate	Amount Due As of June 30, 2000
Jail Security System	February 28, 1998	March 21, 2001	3.75%	\$ 1,670

Note 7. Building Lease

On May 18, 1999, the County entered into a lease agreement with Rape Victim Services for a building to conduct the activities and business of the Rape Victim Services, Incorporated. The lease is for 99 years beginning in July 1999 and ending June 2098. The lessee agrees to pay the county one-dollar in advance, without demand or notice on or before January 1st of each year. The County received the \$1 on December 13, 1999.

Note 8. Insurance and Related Activities

McCracken County, Kentucky is exposed to various forms of loss of assets associated with the risks of personal liability, theft, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The County has purchased certain policies, including workman's compensation insurance, which are retrospectively rated.

Note 9. Health and Dental Insurance

The McCracken County Insurance Fund provides health and dental insurance coverage to county employees. The county transfers from each applicable fund, the amount for a single or family policy for each employee that is eligible and elects to receive insurance from the county. The county pays 100% of the employee's health insurance costs.

North America Administrators, Inc. administrated this plan for McCracken County. The administrator holds the checkbook to the Insurance Fund and writes the checks in the name of the county to the service providers. The administrator sends a claim list to the county for reimbursement from the General Fund held by the County Treasurer. McCracken County also pays North America a monthly administrative fee as well as fee for re-insurance to cover any amount over its maximum exposure. If a claim is over \$40,000, then the re-insurance company will come and do an audit on those claims.

During fiscal year ended June 30, 2000 there were total claims of \$121,102 where the re-insurance company did an audit to determine if the claims were correct.

The maximum exposure for McCracken County from July 1, 1999 through June 30, 2000 was \$1,040,052. Total losses that year were \$990,230 based on information provided by North America Administrators, Inc., which is based on an accrual basis. The total cost to the county based on a modified cash basis was \$1,198,318 for losses and administrative costs during fiscal year ended June 30, 2000.

MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 9. Health and Dental Insurance (Continued)

The estimated maximum exposure for McCracken County from July 1, 2000 through June 30, 2001 was \$1,081,212. This amount could change if the enrollment for the group increases during the plan year, in which case it could conceivably be higher, as it is calculated on factors times the number of singles and families covered each month.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

The McCracken County Jail Canteen Fund had a beginning balance of \$6,008. Receipts totaling \$31,999 were received during the fiscal year. Disbursements for the fiscal year were \$27,611, leaving an ending balance of \$10,396 at June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

Note 11. Landfill Post Closure Costs

The County landfill closed on June 30, 1995. McCracken County must comply with established state and federal landfill closure procedures. It is estimated that maintenance and monitoring procedures must be performed for thirty years after closure. Estimated post closure care costs total \$125,000 per year for 30 years with an additional 10 percent added, for an estimated cost of \$4,123,000. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

MCCRACKEN COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

12. Related Party Transactions

During our audit, we noted related party transactions where county employees, immediate family members of county employees, or board members did business with the county. The county's Ethics Code, as of February, 2000, does not consider these transactions to be ethics violations as long as the transactions are disclosed in the financial disclosure statements and meet other requirements as stated in Ordinance 2000-2.

Don Peck Printing Shop	\$ 5,577
Owner, Don Peck - Trustee at Hendron Fire Department and Chairman at Henron Water District	
Emergency Equipment Specialist	8,461
Owner, Terry Long - Chief Deputy Sheriff	
Federal Materials Company, Incorporated	3,180
Randy Otey, County Clerk; Spouse, Vice-President of Harper Industries Federal Materials	
General Fire Extinguisher Service	997
Owner, Bob Fesmire - Board of Directors on the Lone Oak Fire Department	
Hannan Supply Co	895
Purchase Agent, Don Swinford, Treasurer for Woodlawn Sewer District	
Hayden's A and D Testing	424
Owner, John Hayden - Deputy Sheriff	
Hines Auto Repair Service	18,413
Owner, Dennis Hines - Unpaid Deputy Sheriff	
James Sanders Nursery	2,348
Owner, Larry Sanders - Chairman at Hendron Fire District	
Old National Bank	66,992
Dan Sims, Coroner; Spouse, Investment Banker and Office Administrator at Old National Bank - County has an outstanding liability	
Radio Communications	1,500
Owner, Don Peck - Trustee at Hendron Fire Department and Chairman at Henron Water District	
Triangle Insulation	125
Corporate President, Robert Pirtle - Chairman at Concord Fire District	
Total	<u>\$ 108,912</u>

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



MCCRACKEN COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 9,285,056	\$ 9,284,264	\$ (792)
Road and Bridge Fund	1,147,023	1,397,574	250,551
Jail Fund	2,129,167	1,555,092	(574,075)
Local Government Economic Assistance Fund	6,000	7,477	1,477
Sheriff Fund	882,000	912,604	30,604
Special Reserve Fund	7,000	1,959	(5,041)
<u>Special Revenue Fund Type</u>			
Federal Grant Fund	300,000	326,196	26,196
Juvenile Justice Fund	150,500	70,058	(80,442)
State Grant Fund	324,000	57,881	(266,119)
<u>Debt Service Fund Type</u>			
Capital Project Fund/Courthouse Facilities	<u>8,000</u>	<u>396,863</u>	<u>388,863</u>
Totals	<u>\$ 14,238,746</u>	<u>\$ 14,009,968</u>	<u>\$ (228,778)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 14,238,746
Add: Budgeted Prior Year Surplus			2,085,385
Less Other Financing Uses:			
Kentucky Association of Counties			
Leasing Trust Program - Voting			
Machines		\$ 38,000	
Borrowed Money		371,000	
Bond Payments		<u>150,000</u>	<u>559,000</u>
Total Operating Budget Per Comparative Schedule			
Of Final Budget and Budgeted Expenditures			<u>\$ 15,765,131</u>

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SCHEDULE OF OPERATING REVENUE



MCCRACKEN COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 7,337,301	\$ 7,337,301	\$	\$
In Lieu Tax Payments	454,522	454,522		
Excess Fees	91,091	91,091		
License and Permits	359,009	359,009		
Intergovernmental Revenues	4,892,409	4,079,665	450,602	362,142
Charges for Services	162,876	162,876		
Miscellaneous Revenues	553,857	553,857		
Interest Earned	151,970	113,716	3,533	34,721
Total Operating Revenue	<u>\$ 14,003,035</u>	<u>\$ 13,152,037</u>	<u>\$ 454,135</u>	<u>\$ 396,863</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



MCCRACKEN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 3,851,086	\$ 3,521,735	\$ 329,351
Protection to Persons and Property	3,573,396	3,427,719	145,677
General Health and Sanitation	565,509	477,703	87,806
Social Services	182,426	181,455	971
Recreation and Culture	209,539	180,109	29,430
Roads	2,329,223	1,935,399	393,824
Bus Service	50,962	50,961	1
Capital Projects	595,798	595,796	2
Administration	2,214,293	2,015,523	198,770
Total Operating Budget - General Fund Types	\$ 13,572,232	\$ 12,386,400	\$ 1,185,832
Other Financing Uses:			
Kentucky Association of Counties			
Leasing Trust Program - Voting Machines	38,000	38,000	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 13,610,232</u>	<u>\$ 12,424,400</u>	<u>\$ 1,185,832</u>

MCCRACKEN COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 47,497	\$ 24,326	\$ 23,171
Protection to Persons and Property	265,944	259,401	6,543
Social Services	107,214	33,555	73,659
Capital Projects	241,254	183,369	57,885
Administration	146,356	27,528	118,828
<b>TOTAL BUDGET - SPECIAL REVENUE FUND TYPE</b>	<b>\$ 808,265</b>	<b>\$ 528,179</b>	<b>\$ 280,086</b>

DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	425,742	426,536	(794)
Capital Projects			
Administration			
<b>Total Operating Budget - All Debt Service Fund Types</b>	<b>\$ 425,742</b>	<b>\$ 426,536</b>	<b>\$ (794)</b>
Other Financing Uses:			
Borrowed Money Repaid	371,000	371,000	
Bonds Paid	150,000	150,000	
<b>TOTAL BUDGET - DEBT SERVICE FUND TYPE</b>	<b>\$ 946,742</b>	<b>\$ 947,536</b>	<b>\$ (794)</b>



MCCRACKEN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 2000  
(Continued)

<u>Expenditure Category</u>	<u>INTERNAL SERVICE FUND TYPE</u>		
	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Administration - Medical/Dental Insurance	<u>\$ 958,892</u>	<u>\$ 958,892</u>	<u>\$ 0</u>

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SCHEDULE OF EXPENDITURES - FRIEND OF THE COURT



MCCRACKEN COUNTY  
SCHEDULE OF EXPENDITURES - FRIEND OF THE COURT

Fiscal Year Ended June 30, 2000

Accounting Services	\$ 2,400
Bank Charges	6,485
Child Support Disbursements	4,965,193
Computer Equipment and Software	21,172
Employee Benefits and Payroll Taxes	17,169
Insurance	2,385
Miscellaneous	957
Office Supplies and Equipment	10,555
Postage	8,537
Refunds	20,577
Rent	28,350
Repairs and Maintenance	5,677
Salaries	127,592
Utilities and Telephone	<u>8,207</u>
Total	<u><u>\$ 5,225,256</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Danny B. Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of McCracken County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 31, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McCracken County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as:

Reference Number 2000-1

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$820,651 And Enter Into Written Agreements To Protect Deposits

Reference Number 2000-2

- Purchase Orders Should Be Issued For Expenditures

Reference Number 2000-3

- The Quarterly Financial Statement Should Be Recorded In The Fiscal Court Minutes

Reference Number 2000-4

- The County's Budget Should Include All Funds Received And Expended By The County

Reference Number 2000-5

- Jail Receipts Should Be Deposited On A Regular Basis

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McCracken County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect McCracken County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items:

Reference Number 2000-6

- The County Should Improve Internal Control And Maintain Accurate Financial Records

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 31, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Danny B. Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of McCracken County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. McCracken County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McCracken County's management. Our responsibility is to express an opinion on McCracken County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McCracken County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McCracken County's compliance with those requirements.

In our opinion, McCracken County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements Applicable To Each Major Program  
And Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of McCracken County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McCracken County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 31, 2001

## FINDINGS AND QUESTIONED COSTS





MCCRACKEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of McCracken County.
2. Reportable conditions relating to the audit of the financial statements are reported in this schedule.
3. Noncompliance with laws and regulations material to the financial statements of McCracken County are reported in this schedule.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in this schedule.
5. The auditor's report on compliance for the audit of the major federal award programs for McCracken County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for McCracken County reported in Part C of this schedule.
7. The program tested as a major program was: Title IV-D: Child Support Enforcement.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. McCracken County was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONCOMPLIANCE WITH LAWS AND REGULATIONS-

**Reference Number 2000-1**

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$820,561 And Enter Into Written Agreements To Protect Deposits

On August 31, 1999, \$820,561 of the County's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The County should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the County enter into a written agreement with the depository institution to secure the County's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Honorable Danny Orazine, County Judge/Executive's Response:*

*McCracken County monitors pledged securities regularly as a part of its overall internal control system. The amounts that were uncollateralized at June 30, 2000 were due to an oversight. A written security agreement is being drafted by the County's bank to properly secure the County's interest in the collateral that is pledged and will be implemented as soon as the final agreement is prepared.*

MCCRACKEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2000  
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

NONCOMPLIANCE WITH LAWS AND REGULATIONS (Continued)

**Reference Number 2000-2**

Purchase Orders Should Be Issued For Expenditures

The McCracken County Judge/Executive or his designee(s) did not insure the issuance of purchase orders for purchases. KRS 68.210 gives the state local finance officer the authority to set minimum accounting and reporting standards for all local government officials. In accordance with this statute, the state local finance officer has set the uniform system of accounts for all Kentucky counties. As part of this uniform system of accounts, a purchase order journal (a daily, chronological listing of all purchase orders issued) is required. We recommend compliance with requirements of the state local finance officer.

*Honorable Danny Orazine, County Judge/Executive's Response:*

*McCracken County strives to maintain compliance with the Kentucky Revised Statute's at all times and intends to implement a purchase order system and maintain a purchase order journal as required.*

**Reference Number 2000-3**

The Quarterly Financial Statement Should Be Recorded In The Fiscal Court Minutes

KRS 68.360(2) states, "The county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund. The county judge/executive shall post the statement in a conspicuous place in the courthouse near the front door for at least ten (10) consecutive days, and transmit a copy to the fiscal court and to the state local finance officer. The statement shall be read at the next meeting of the fiscal court." We were unable to find the reading of the Quarterly Financial Statement in the fiscal court minutes where it had been presented to the fiscal court or a signed and dated copy that was sent to the state local finance officer. We recommend that the "Quarterly Financial Statement" be recorded in the fiscal court minutes.

*Honorable Danny Orazine, County Judge/Executive's Response:*

*McCracken County prepares the quarterly statements as required by the Kentucky Revised Statutes and the statements are presented to the fiscal court for approval. McCracken County will include the statement in the fiscal court orders as recommended.*

MCCRACKEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2000  
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

NONCOMPLIANCE WITH LAWS AND REGULATIONS (Continued)

**Reference Number 2000-4**

The County's Budget Should Include All Funds Received And Expended By The County

KRS 68.280 states, "The fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget." KRS 68.300 states, "Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void." We recommend that the revenues and all expenditures of the Payroll Tax Administrator Fund, Building and Electrical Inspection Department Fund, Carson Park Fund, and County Planning Commission Fund be budgeted.

*Honorable Danny Orazine, County Judge/Executive's Response:*

*McCracken County prepares an annual budget that includes the budgets for the Payroll Tax Administrator Fund, Building and Electrical Inspection Dept. Fund, Carson Park, and the County Planning Commission. The budgeted receipts for these funds are net of refunds for overpayments by taxpayers and the expenditures are net of incidental expenses such as bank charges. In the future the County will record gross revenues and expenditures for these funds.*

**Reference Number 2000-5**

Jail Receipts Should Be Deposited On A Regular Basis

During our audit, we noted that the Jail Receipts were not being paid over to the Treasurer on a regular basis. We recommend that all public funds be paid over to the Treasurer daily or, at the very least, when receipts total \$500. This will enable the Treasurer to deposit them as required by Technical Audit Bulletin 93.002.

*Honorable Cliff Gill, McCracken County Jailer's Response:*

*None.*

MCCRACKEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2000  
(Continued)

REPORTABLE CONDITIONS

**Reference Number 2000-6**

The County Should Improve Internal Control And Maintain Accurate Financial Records

Internal control is a process-effected by the entity's management, and other personnel-designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations. Internal control consists of five interrelated components, which consists of control environment, risk assessment, control activities, information and communication, and monitoring. During our audit, we found the following weaknesses in internal control:

Financial Reporting-

- Staff entered duplicate check numbers and made adjusting entries without proper documentation.

Cash and Investments-

- There was not an investment ledger as required by the State Local Finance Officer or copies of the certificates of deposits or investments available; therefore correct amount of interest could not be verified.
- A traceable log of Internet bank transfer and telephone transfers should be kept faithfully in the future to allow an audit trail. Since the banks or the computer or both combined many of these transfers could not be traced.

We recommend that the county maintain an investment ledger, internet bank transfer log, and continue to monitor and assess the quality of the internal control.

*Honorable Danny Orazine, County Judge/Executive's Response:*

*McCracken County has designed and implemented an internal control system to ensure the reliability of financial reporting, the efficiency of operations and compliance with applicable laws and regulations. The internal control system is reviewed regularly and updated by the fiscal court as needed.*

*In the future, McCracken County will keep written documentation of all adjusting entries that are made as recommended.*

*Investments are now reported to the County on a monthly basis by the financial institution where they are held. Interest amounts are reported monthly to ensure that investment income is recorded in a timely fashion.*

*McCracken County keeps all bank account activity in a transaction log. To help improve the tracking of transfers from one account to another, the County has moved all of its bank accounts to one bank.*

MCCRACKEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2000  
(Continued)

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS





MCCRACKEN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
U.S. Department of Housing and Urban Development		
Passed-Through State Department of Housing:		
Rape Victims Services Center (CFDA #14.228)	N/A	\$ 128,901
U.S. Department of Justice		
Passed-Through State Justice Cabinet:		
Juvenile Accountability Incentive Block Grant (CFDA #16.523)	N/A	\$ 644
Local Law Enforcement Block Grants Community Oriented Policing Services (CFDA #16.726)	N/A	15,356
Total U.S. Department of Justice		\$ 16,000
U.S. Federal Emergency Management Agency		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grant- Coordinator Salary (CFDA #83.534)	N/A	\$ 4,694
Hazard Mitigation Grant (CFDA #83.548)	N/A	58,952
Total U.S. Federal Emergency Management Agency		\$ 63,646

MCCRACKEN COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Pass-Through <u>Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u> (Continued)		
U.S. Department of Health and Human Services		
Passed-Through State Cabinet for Human Resources Child Support Enforcement- Title IV-D (CFDA #93.563)	N/A	\$ 227,056
Total Cash Expenditures of Federal Awards		\$ 435,603

MCCRACKEN COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - The Friend of the Court Fund balance represents the cash balance retained by that office. The office was established by the County to maintain records of child support payments and to assist in the enforcement of child support orders. The Friend of the Court receives Title IV-D - Child Support Enforcement grants and charges a 2-3%, \$5 maximum, service charge, which is used to pay office expenses. The County pays payroll; however, the Friend of the Court per an agreement with the fiscal court reimburses it.

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CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

MCCRACKEN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS**  
**MCCRACKEN COUNTY FISCAL COURT**

June 30, 2000

The McCracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



\_\_\_\_\_  
Name  
County Judge/Executive



\_\_\_\_\_  
Name  
County Treasurer